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The Persian Gulf: Implications of a US-Iranian Confrontation

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Special National Intelligence Estimate

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PERSIAN GULF MATERIAL

9 Sept 87 - PFIAB Meeting - 1030, 0E0B

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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Deputy Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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Erratum

Notice to recipients of Special National Intelligence Estimate: *The Persian Gulf: Implications of a US-Iranian Confrontation*, SNIE 34-8 [Redacted]

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[Redacted] August 1987. [Redacted]

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— Delete “significantly” from the last sentence of the first paragraph on page 3 of the Key Judgments. [Redacted]

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SNIE 34-87

**THE PERSIAN GULF:
IMPLICATIONS OF A
US-IRANIAN CONFRONTATION**

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Information available as of 28 August 1987 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.

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SCOPE NOTE

This Estimate presents a range of potential scenarios for the development of the current tensions between the United States and Iran. It examines how the outcome of these scenarios would affect US interests in the region and the US position vis-a-vis the Soviet Union. The Estimate also examines the impact of the various outcomes on regional power equations, the objectives of the Soviet Union and how these are being pursued in the current situation, and the receptivity of the regional states to an increased Soviet role.

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Because they depend so heavily on US policy decisions, the Estimate does not rank the likelihood of the various scenarios.

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We do not project the dynamics of the US-Iranian confrontation beyond a three-to-six-month period, although the continuation of tensions could well exceed that time horizon. The implications of the various scenarios are projected as far as possible into the future.

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KEY JUDGMENTS

The increasing US military presence in the Persian Gulf is perceived by Iran as a direct challenge to its vital interests and has reduced the margin for error on both sides. Rising tensions and the proximity of the opposing forces (including not only US and Iranian, but French, British, Soviet, and Arab) have significantly increased the probability of armed confrontation and, in the worst case, the possibility of armed conflict.

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(We have examined five scenarios for how the current situation might develop in the order of the level of US commitment they require. The paper is not intended to predict the outcome or rank the likelihood of the various scenarios presented but to examine the range of implications.)

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US Tanker Escorts Withdrawn Under Pressure. This scenario would represent a profound blow for US interests. It would:

- Damage severely US credibility in the region and beyond.
- Make Iran the “power to be reckoned with” in the Gulf.
- Provide opportunities for the Soviets with the Gulf Arab.

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Tensions Defused. In view of our assessment of Iranian resolve and Iraq’s opposition to this outcome if it included delinking the tanker and ground wars, we believe this scenario would be difficult to attain. Nonetheless, it would result in significant benefits for the United States by:

- Confirming US commitment to the Gulf Arabs.
- Checking the expansion of Iranian influence, while preserving opportunities for ultimate US-Iranian reconciliation.

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Although the United States would get the credit for the successful use of force and diplomacy, the Soviets would retain their recent gains with the moderate Arabs and also try to build on their intensified dialogue with Iran.

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Simmering Tensions. This scenario would have mixed effects on US interests. On the positive side, it draws the line for Iran, reinforces Gulf Arab willingness to resist Iranian pressure, and strengthens Arab

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perceptions of US commitment to the region. On the negative side, this scenario represents a costly and open-ended commitment that would probably include occasional military clashes and terrorism, and it holds significant risks of miscalculation and escalation. In this scenario, the USSR would maintain its present security role and exploit its ability to talk to both Iran and Iraq []

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Escalation/Iranian Intimidation. We believe this is a less likely scenario because we do not believe Iran can be easily intimidated. Nonetheless, most of its implications would be positive for the United States. It would:

- Dramatically underscore US capability and commitment to the Gulf Arab states.
- Check Iranian expansion in the Gulf and severely damage Iran's self-image as a major player on the world stage.
- Lessen opportunities for the Soviets to improve relations with the Arabs []

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There would be negatives, however:

- The chance, already distant, of a US/Iranian rapprochement could be delayed even further.
- The Iranians would perceive a need for a closer—though still limited—relationship with Moscow []

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The Soviets would be concerned, however, that Baghdad would move even closer to Washington and that substantial US forces would remain in the region []

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Escalation/Open Conflict. This is a high-stakes scenario for all parties. The potential costs of a large-scale and protracted US-Iranian military confrontation are considerable:

- The United States would incur heavy economic costs and could suffer considerable casualties.
- Disruption of world oil and financial markets could result.
- Iran would probably turn to an increasingly indiscriminate use of terrorism against US targets.
- Iran could be successful in the Muslim world in portraying the conflict as part of an anti-Islamic campaign by the United States []

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This scenario could serve Soviet interests in forestalling a resurgence of US influence in Iran, but Moscow would have to choose more clearly between Iran and the Arabs. Nonetheless, this is the scenario that contains the best prospect for a major improvement in Soviet-Iranian relations. The further increase in the US military presence and major military action so near Soviet borders could prompt Moscow to offer Iran some support. We do not believe the Soviets would go so far as to provide Iran major weapons systems, although we would not rule out resumption of deliveries of spare parts, ammunition, and military trucks.

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We believe that European involvement, whatever the motivation, is a net positive for the United States, but that the Europeans are not such major players that their greater involvement would substantially change our judgments about the implications of any of the scenarios. It would, however, affect the likelihood of the various scenarios. European involvement makes the more positive scenarios generally more likely and the negative scenarios generally less likely. The European presence also creates the possibility that the United States could be drawn into a conflict as a result of an Iranian-European confrontation—most likely begun by an Iranian action. Overall, however, the United States will be under less pressure to withdraw, and the Iranians will be less likely to conclude that confrontation with the United States will accomplish their objectives.

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Beyond the specific scenarios, Iran's greatest strength is its unity of purpose. To this are added: its revived revolutionary zeal, demonstrated ability to absorb pain, confidence gained from a string of successes in uncompromising showdowns with the United States, and a seven-year-long national mobilization for war. These make hostilities with the United States a threshold that Iran could well decide to cross.

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Iran also has considerable weaknesses in the current situation:

- There is serious political infighting at high levels in the government.
- Its military capabilities have deteriorated since the revolution.
- It is economically weak and vulnerable.
- Its international isolation is growing

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We do not believe the Iranians will be easily convinced to alter their policies. Iran is fully aware of the likelihood of a US military response to a major provocation. At least initially, an escalation would

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probably strengthen the determination to resist and some elements in Iran might even believe that a war with the United States would strengthen their political position. Iran would be most affected by US actions that directly impaired its ability to continue to prosecute the Iran-Iraq war or damaged Iranian public support for the regime. [REDACTED]

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¹ The Director, National Security Agency, believes it is useful to arrange the implications of possible outcomes to war or withdrawal in terms of their seriousness for the future US interests in the region. He believes these implications are as follows:

- The worst outcome of a US-Iranian conflict would be for Tehran to be driven into a strategic relationship with Moscow. Even though such an outcome may also provide opportunities for greater US influence with the GCC states, a larger Soviet presence and military assistance program in Iran, such as now exists in Syria and Iraq, would serve to divide the region into US and Soviet spheres of influence. This has been a longtime Soviet strategic aim and one which also has the potential to affect the future of Afghanistan and Pakistan, eventually bringing Pakistan to compromise with Moscow.
- The best outcome of a US-Iranian conflict would be for Tehran to realize that the war against Iraq can no longer be won and therefore seek a way to deescalate the crisis without entering into a significant relationship with Moscow.
- The next worst outcome would be a US withdrawal under Iranian pressure, which might entail the loss of US influence in the area, particularly with the GCC states, and might also lead to a major strategic shift of power in the region.
- The next best outcome would be a US withdrawal which is not viewed as bowing to Iranian pressure and which would entail the earliest return to the status quo ante bellum before further escalation occurs. [REDACTED]

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The above structure does not predict the likelihood of a conflict or US withdrawal. It is an estimate of the relative stakes involved in either eventuality. This structure is not apparent in the SNIE. [REDACTED]

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DISCUSSION

Introduction

1. The increasing US military presence in the Persian Gulf is perceived by Iran as a direct challenge to its vital interests and has reduced the margin for error on both sides. Although there remains a chance that an armed conflict will be avoided, rising tensions and the proximity of the opposing forces (including not only US and Iranian, but French, British, Soviet, and Arab) have significantly increased the probability of armed confrontation. Such a confrontation could develop in a number of ways, with widely varying results—and an equally wide range of implications for the United States, Iran, the other regional states, and the Soviet Union. We must also note that, due to the growing international nature of the situation (the deployment of the French aircraft carrier; the presence of British, French—and possibly other European—mine warfare contingents; and heightened GCC-Iranian tensions), the spark for such a confrontation could come from actors other than the United States or Iran. Part I of this Discussion examines the background to events in the Gulf and the current situation. Part II examines a number of possible scenarios for future developments and their impact on the United States, the USSR, and the regional actors. Part III supports part II by laying out the evidentiary base and analytic framework for the estimative judgments that have been made. Part III also discusses longer term trends and regional realities in the area, along with the goals, positions, and activities of the key players and the risks and opportunities for the area states, the USSR, and the United States [redacted]

Part I—Background and Current Situation

2. The judgments of SNIE 34/11/39-87, *Iran and the Superpowers in the Gulf*, regarding Iran's probable reactions to a continuing US commitment in the Gulf remain valid. In particular:

- Iran will not indiscriminately attack US and USSR targets but will try to use terrorism, sabotage, and military action selectively to serve its broader objectives.

- Tehran is prepared for confrontation if, in its perception, other measures prove inadequate to force the United States to back down [redacted]

3. Key events since the publication of the previous SNIE include the mining of the Bridgeton and follow-on mining campaign, the passage of UN Security Council (UNSC) Resolution 598, and the pilgrimage clashes in Mecca. All these events, for different reasons, have reinforced Iran's resolve to confront the United States, strengthened the domestic position of the regime, and put advocates of a more measured approach on the defensive. The Bridgeton mining is touted in Iran as the successful penetration of US defenses by "invisible hands," and the United States is now often referred to as a crippled giant. The UNSC resolution is seen in Tehran as directed against Iran and orchestrated by the United States. At the same time, events have signaled continuing US resolve, helped restore some of the lost US credibility with the Gulf Arabs from the US-Iran affair, moved the Gulf Cooperation Council (GCC) states more into line in support of the US presence, and led to increased European involvement [redacted]

4. Over this same period, the level of independent European involvement has increased significantly and has effectively reinforced the isolation of Iran. The British are sending mine-clearing forces to the Gulf, and the Dutch and Belgians are considering similar deployments. In response to their own bilateral diplomatic confrontation with Tehran, the French have sent an aircraft carrier and are sending minesweepers to the region. Whether an intention of the Europeans or not, these actions have tended to enhance the effect of the US decision to reflag the Kuwaiti tankers. There is, however, a limited possibility that European forces over which the United States has little influence could become engaged in a confrontation with Iran. This possibility applies primarily to France whose actions will be guided solely by its own dispute with Iran. We believe, however, that the Europeans, including the French, will be extremely careful about using their forces in a way that Iran would perceive as provocative, unless first provoked by Tehran. [redacted]

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5. The Mecca violence has strong implications for developments in the Gulf:

- Iran failed in its attempt to portray the violence as US inspired and as yet another example of the confrontation between America and Islam. Most Islamic states hold Iran responsible for the riots and resulting carnage.
- The incident has caused a sharp downturn in Saudi-Iranian ties and probably will lead to increased Gulf Arab regime support for the US military presence in the region.
- Iran is committed to retribution against Saudi Arabia *and the United States*, who Tehran claims is directly responsible for the bloodshed.

6. Iran sees the increased US military presence in the region as challenging its fundamental goals of:

- Winning the Iran-Iraq war.
- Changing the regional balance of power and establishing Iranian hegemony.
- Keeping the superpowers out of the Gulf.
- Spreading Iran's Islamic revolution to other states.

In pursuing these goals Iran has tried to break the resolve of the GCC states—particularly Saudi Arabia and Kuwait—for supporting Iraq in the war and to discourage the unity of the GCC that, were it to act as a cohesive bloc, would limit Iran's leverage over individual members. While we judge that Saudi and Kuwaiti support for Iraq in the war is firm, Tehran believes that it can be broken through intimidation. Iran's approach of carrots to Oman and sticks to Kuwait has achieved some success in weakening GCC unity.

7. Iran also views the US challenge in the Gulf as supporting Iraq's war-fighting strategy. Iraq's strategic advantage in the Iran-Iraq war lies in the air war against key Iranian economic targets, including tankers, not in the ground war where it has ceded the initiative to Tehran. Iraq has long sought to pressure Iran and internationalize the Gulf war through ship attacks, recognizing that any outside powers would probably be drawn into the war on Iraq's side.

8. Iraq is well placed to manipulate Iran-US tensions by dictating the pace of ship attacks in the Gulf. Indeed, should Baghdad perceive that the UNSC

sanctions resolution is being delayed or that the superpowers are reducing efforts to end the war, we believe Baghdad will intensify its air attacks, first on land and later at sea, in an effort to provoke an Iranian response against third parties. Iraq will employ this option cautiously, however, to avoid shifting US and world attention from the Iranian threat to Iraqi attacks and jeopardizing efforts to obtain an effective UN action against Iran. Recent attacks on Iranian economic targets on the mainland probably fall into this category. While Iraq is observing a cease-fire in the tanker war, it knows that Iran's probable response is through ship attacks.

9. Despite the image of irresponsibility and even irrationality sometimes conveyed by the vitriolic rhetoric of its leaders, Iran continues to pursue a rational and coherent policy course. Tehran continues to exercise command and control and to assess risks and benefits before acting. Iran has, for example, still avoided overt attack on a US ship, having stated repeatedly that it will do so only in retaliation if the United States attacks first. Most indicative of this coherence is Tehran's systematic play down of differences with the Soviet Union—to the point of disinformation—in order to avoid confronting both superpowers at once and to concentrate maximum psychological pressure on the United States. We judge that Iran is likely to pursue a course of seeking a tactical accommodation with Moscow in the Gulf, while making minor adjustments in bilateral relations for as long as the Soviets reciprocate, maintain a low military profile in the Gulf, and agitate for the removal of US naval forces from the region.

10. The high level of Soviet diplomatic activity in the Gulf region reflects a keen alertness for any opportunity that might arise. In the current situation the Soviets are trying to:

- Stake out a role in Gulf security issues.
- Fuel concern among the Iranians and Gulf Arabs over the escalating US military presence in the region.
- Reduce tensions with Iran without undermining Soviet influence with Iraq.
- Foster an image as a responsible world power, playing down revolutionary goals, and seeking political, rather than military, solutions to regional conflicts.

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11. Soviet policy toward the Iran-Iraq war aims at preventing an Iranian victory lest it lead to the loss of Soviet influence in Iraq, free up Iranian resources to help the resistance in Afghanistan, and facilitate the spread of Iranian fundamentalism (including northward to the central Asian republics of the USSR). Although receptive to recent Iranian overtures, the Soviets do not want to risk their influence in Iraq when there seems little near-term prospect of gaining comparable influence in Iran. Moscow has supported some US efforts at the United Nations and not closed the doors to others to increase the pressure on Iran to end the Iran-Iraq war while at the same time attempting to generate regional opposition to additional US deployments to the region. Although the Soviets could benefit on the margins from this double game, recent Iraqi protests about Soviet behavior demonstrate the limits of this approach [redacted]

Part II—Scenarios

12. Aside from the rising chance of a direct US-Iranian clash, the most significant development for the United States since the previous SNIE has been the increasingly negative impact that failure would have on US credibility—both within the region and beyond. From Iran's perspective, the US increase in military presence in the region is a direct challenge to the pursuit of policies vital to its interest. In short, both the United States and Iran may wish to avoid escalation, but the cost of retreat is rising for each. We believe this fact will increase the chance that individual incidents will lead to escalation, including open conflict and, at the same time, decrease the chance that certain scenarios will occur at all. [redacted]

13. In addition, while some scenarios are better for the United States than others, *each* would present dilemmas if broader US interests in the region are considered. Relevant US interests include:

- Maintaining the flow of oil from the Persian Gulf.
- Maintaining the stability of friendly states.
- Supporting a “no decisive winner” end to the Iran-Iraq war.
- Limiting Soviet influence and presence.
- Improving our own influence without a prolonged and costly military commitment.
- Keeping open future options with Iran [redacted]

14. Each scenario would provide opportunities for the United States to advance some of these interests but would probably harm others. As an example of the trade-offs, scenarios in which the United States decisively prevailed over Iran would increase US credibility, help prevent an Iranian victory in the war with Iraq, protect the smaller Gulf States, and ensure the free flow of oil from the Gulf. They might also, however, increase Moscow's chances for improved ties to Iran and could postpone further the long-term goal of improved US-Iranian relations. At the same time, however, it is also possible that increased Iranian respect for US power and resolve might, over time, improve prospects for US-Iranian relations [redacted]

15. We believe there are several ways for the current confrontation with Iran either to be resolved or to escalate into a quite different situation. This paper is not intended to predict the outcome of the current situation but to examine the implications of the range of outcomes. We have chosen to examine five scenarios explicitly:

- *Tanker Escorts Withdrawn Under Pressure.*
- *Tensions Defused.*
- *Simmering Tensions.*
- *Escalation/Intimidation of Iran.*
- *Escalation/Open Conflict.*

They are presented generally in order of the degree of US commitment they demand. These scenarios are *not* mutually exclusive—one can evolve into another: for example, the situation could move from simmering tensions to a cease-fire or oscillate between simmering tensions and escalation. (Note: These *scenarios* are, more precisely, labels for *categories* of scenarios, which can vary infinitely in their precise development.) [redacted]

Scenario One: Tanker Escorts Withdrawn Under Pressure

16. This scenario includes *all outcomes in which an Iranian claim of victory would be credible*. It would include US reneging on the Kuwaiti reflagging effort without further military confrontation and a US withdrawal of its tanker escorts after military or terrorist actions [redacted]

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17. In light of the commitments already made, and pressure on the Gulf Arabs, this scenario would represent a profound blow to US interests. It would:

- Damage severely US credibility with the Gulf Arabs and undercut the traditional relationship—arms and security for oil—that has bound the United States and most of the GCC states.
- Undercut US credibility as a security partner and global power with states *outside* the region.
- Increase dramatically the influence of Iran, making it the “power to be reckoned with” in the Gulf, fueling the impulse of some Gulf Arabs, notably the United Arab Emirates (UAE) and Oman, to reconcile themselves to Iranian power and attempt to secure the best deal they can with Iran.
- Increase the relative power of militant elements in the Iranian leadership, reinforce the perception that confrontation is effective, and increase Iranian contempt for US will and staying power.
- Reinforce the regionwide Islamic revival by providing dramatic evidence of the “power of Islam” in confronting “Western decadence and imperialism” and of “true Islam’s” superiority over competing ideologies.
- Provide opportunities for the Soviets to increase their influence with the Gulf Arab.

18. Although the general trend lines would be similar, the particular circumstances in which a US withdrawal occurred would affect greatly the ultimate *degree* of damage to US credibility. Generally, the more Iranian pressure and actions were perceived to have broken US resolve, the greater the damage.

19. Because ultimate reliance on a US security umbrella is key to GCC defense, a US reneging on commitments in the region would leave these states badly shaken and vulnerable. Saudi Arabia, Bahrain, and Oman, in particular, would have to fundamentally reassess their security relationships. They would intensify efforts to improve self-defense and joint GCC capabilities, and seek to broaden support from other states—primarily West European, but also including countries such as Brazil or China as weapons suppliers, and Egypt, Morocco, or Pakistan for advisers and even personnel. Against these longer term efforts, the GCC states would more immediately try to conciliate Iran to the extent it is receptive, without sacrificing their vital interests.

20. Iran would continue to increase efforts to intimidate Kuwait to withdraw its support to Iraq. Iran believes that internal Shia opposition, with strong Iranian support, could overthrow the ruling al-Sabah family. A US withdrawal in itself would probably not be sufficient to prompt Iran to launch a conventional invasion of Kuwait.

21. Should the climate of hostility between Iran and Saudi Arabia continue—as is possible—Tehran will look to strike at Saudi Arabia as well, particularly if Iran still felt the score had not been settled over the Mecca riots. We believe the primary threat would be sabotage of Saudi oil and economic facilities. We do not believe that the survival of the Saudi regime would be threatened, however, by hostilities with Iran.

22. The impact on the war would be a significant psychological boost for Iran. At minimum, Tehran would devote more of its efforts to Iraq after the US threat had been neutralized, although it may have suffered a loss of capability as a result of US actions. In the ground war, Iran’s success might hasten another major offensive. A US withdrawal would demoralize Iraq but, in itself, would not cause a collapse, and Iraq would probably reinvigorate economic attacks in the Gulf, where it has the initiative.

23. The Soviets would gain significantly under this scenario because of the withdrawal of the US forces associated with the escort operations and the blow to US credibility. The Soviets would benefit from any deterioration in US-Arab security cooperation, and improve their own relations—possibly including selling more weapons to the Gulf states—but we do not believe they would replace the United States as the superpower patron of the GCC. Moreover, the Soviets do not want to see Iran win the war or emerge as the dominate power in the Gulf. (See “Prospects for Soviet Gains” for a detailed discussion of this judgment.)

24. The USSR would also face some difficult policy trade-offs in trying to exploit US setbacks. Kuwait would probably request more Soviet support in facilitating the flow of its oil exports. If the Soviets reject the request, they would risk the recent gains they have made with the Gulf states. Meeting the Kuwaiti requests, however, runs the risk of becoming engaged in a military confrontation with Iran.

Scenario Two: Tensions Defused

25. This scenario would include *all possible outcomes in which the US tanker protection plan becomes unnecessary without first involving a*

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significant US-Iranian clash. It could occur as a result of a settlement of war, the internationalization of the protection regime, the emergence of a modus vivendi in the Gulf, or an end to the US escort plan after a credible declaration that protection was no longer necessary []

26. In view of our assessment of Iranian resolve and Iraq's unwillingness to allow a delinking of the tanker and ground wars, we believe this scenario would be difficult to attain. Nonetheless, it would result in significant benefits for the United States by:

- Confirming the value of US security assistance to the Gulf states, portraying Washington as strong, reliable, and responsible. A higher level of security cooperation could emerge in the face of the long-term Iranian and Soviet threats.
- Effectively checking an Iranian policy of gross intimidation of the Gulf states and affirming the current regional power balance.
- Successfully drawing a "red line" of US tolerance of threats to the flow of oil out of the Gulf. Having come close to open conflict with the United States and seeing the US buildup of forces in the region, Tehran would at least partially reassess its contempt for US resolve.
- Preserving opportunities for a longer range US-Iranian reconciliation, making it harder for the USSR to gain major advantage in Tehran []

27. One negative effect of this scenario on US interests would be that a cease-fire in the Gulf sector alone would remove the urgency for effective international actions to end the war and Iraq would see it as a blow to its prospects in the war. Having long lost its ability to export oil by tanker, Baghdad perceives Iran's dependence on oil exports as an important vulnerability that can be exploited. Baghdad believes bringing an end only to this part of the war would deny it an important lever and force it to slug it out in the ground war where Iran has the initiative. In terms of tangible effect on the Iranian war effort and economy, Iraq could do as much or more damage by targeting Iranian facilities on shore, such as refineries, power plants, and pipeline pumping stations. We believe it is, however, highly unlikely that Iraq would allow this scenario to unfold. As Iraq has already demonstrated in the aftermath of UNSC Resolution 598, it can quickly resume attacks against Iranian economic targets if a cease-fire is not comprehensive. []

28. This scenario would be beneficial for the United States relative to the Soviets. Iran's virtual isolation makes Soviet or Third World criticism of US force deployments leading to this outcome much more difficult. A successful conclusion would allow the United States to portray the episode as an example of a responsible use of power to protect weaker states against a regional bully. Although the Soviets have positioned themselves well for this potential outcome, the Gulf Arabs would give most of the credit to the United States (except in the case where the Soviets were able to broker a cease-fire or broader settlement). The Arab states, especially Iraq, have already noted Moscow's courting of both sides, its foot-dragging (relative to the United States) on the UNSC vote and its unwillingness to deploy its military forces []

29. Although the United States makes gains in this scenario, there are benefits from Moscow's perspective because it also reduces the prospects for a protracted and large-scale US naval presence in the region. Although the United States would emerge in Arab and Iranian eyes as the more effective superpower, we believe the Soviets would retain their recent gains with the Arab moderates. They might also try to build on their intensified dialogue with Iran, although Iran would have lost the immediate imperatives that we believe have driven their recent openings to Moscow. []

Scenario Three: Simmering Tensions

30. This would essentially be a continuation of the current situation, *resulting in an open-ended US commitment with continued tensions, including occasional violent incidents.* The level of violence and direct confrontation would be low enough that neither side is willing to concede but neither sees it in its interest to escalate []

31. This scenario includes the current situation that, if continued, would have mixed effects on US interests. The US and Iranian commitment to changing the other's policy while trying to avoid a large escalation makes such a continuation a strong possibility. On the positive side, a continuation of the current commitment to the reflagging/escort operation:

- Reinforces Gulf Arab willingness to resist Iranian pressures.
- Reinforces the perception of US interest in Arab states, in the wake of damage from US arms sales to Iran and inability to deliver sophisticated weapons to the Arabs.

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- Draws the line for Iran. Iran has demonstrated little regard for the relevance of American military power and resolve and has usually benefited from confrontation and a refusal to compromise. As tensions continue, the sheer magnitude and proximity of the US military forces will probably increase Iranian respect for US capabilities.
- Maintains pressure on the international community to end the Iran-Iraq war.

32. There are significant risks for US interest, however. Iran believes that it can outlast the United States, especially if it maintains an environment that is politically controversial for Washington. This view, combined with close attention to US policy debates, leads Tehran to believe that it can act to break US resolve. At minimum, it will continue to keep tensions high, using actions such as mining or the recent "Martyrdom Exercises" to convey a sense of imminent hostilities in an effort to affect the US policy debate. As military levels and tensions continue to rise, the risks that a miscalculation on the part of either side would result in escalation increases

33. Iran could perpetuate the "hidden hand" approach by sponsoring unattributable attacks—including terrorism—on targets both in and out of the immediate region. Such attacks would have to show a clear association with the US presence in the Gulf without being so clearly linked to Tehran that it causes Washington to retaliate. This scenario requires a level of continued fine-tuning that may be difficult to sustain

34. Iraq would begin to view as irksome continuing US pressure to abstain from ship attacks, particularly if the ground war continued and Iran continued to stall in accepting UNSC Resolution 598. Iraqi attacks aimed at breaking the stalemate and forcing a US-Iran showdown could well lead to a more strained US-Iraqi relationship

35. Other risks and costs of this scenario for the United States include:

- The requirement for a large US presence for an extended and indefinite period, diverting military and intelligence assets from other areas.
- Over time US and Arab interests may diverge.
- Iran may increase its efforts to pressure Kuwait, using subversion, sabotage of Kuwaiti (or even Saudi) oil facilities, or direct attacks on Kuwaiti

territory. The latter could come in the form of surface-to-surface missile attacks, air attacks, commando raids on key facilities, or threats against Bubiyan Island.

- Iran may have some success in portraying the conflict in Muslim radical and fundamentalist circles, especially Shia, as a US-Islamic conflict.
- The longer the US fulfills a high-profile protection role, the greater the regional perception that Kuwait and, indirectly, Saudi Arabia and Iraq are overly dependent on the US presence.
- Increased, but still limited, opportunities for the USSR in Iran as Tehran continues to play the "Soviet card."

36. This scenario would allow the Soviets to continue their present policy course, postpone difficult policy trade-offs, and reap several benefits. US-Iranian tensions would be sustained and Iranian efforts to court the USSR in order to avoid a simultaneous confrontation with both superpowers would continue. These contacts with Iran would allow the Soviets to continue to portray themselves as the only superpower capable of talking to both belligerents and interested in a political, rather than military, solution. Moreover, the Soviets probably would continue carrying Kuwaiti oil in Soviet tankers, highlighting the role they can play in the Gulf. However, there would also be concern in Moscow over the protracted deployment of a sizable US naval force in a region close to the USSR. The Soviets probably also believe that, if the United States perseveres, the magnitude of the US effort compared with their own, would reinforce the US superior position in the region

Scenarios Four and Five: Escalation

37. *The Dynamics of Escalation.* Iran's desire to avoid drawing US forces into the war previously tended to act as a restraint. Iran is now faced with the need to get the United States out. Tehran, while still operating under restraints, is responding to this change by trying to raise the specter of a costly and unwinnable involvement to convince the United States to reconsider the cost/benefits of its policy. If the Iranians become convinced that the United States will not cease escort operations without further ratcheting up of the level of confrontation (that is, creating US casualties), we believe that they will not be deterred from

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doing so. The exact point at which this threshold is crossed depends on several variables, some of which are highly uncertain:

- *The state of play of Iranian politics.* A key wild card in all of the scenarios is Khomeini's death. If he should die in the midst of an unfolding, escalatory crisis, we will have major uncertainties regarding the direction of Iranian domestic and foreign policies, as well as crisis management abilities.
- *Unforeseen events.* The proximity of forces in the Gulf could well result in a shootdown or sinking requiring a response by the other party. Similarly, the riots in Mecca, while instigated in Tehran, probably went beyond its expectations in creating new issues (for example, the requirement for revenge) that must be addressed and factored into broader policy considerations.
- *The direction of the US debate.* The Iranians see this as their primary gauge of US resolve and will use it to calculate the possible effectiveness of an escalation []

38. ***Iranian Response to Force.*** Having taken action sufficient to warrant US retaliation, we do not believe the Iranians will be easily convinced to alter their course. Iran has demonstrated a greater capacity to absorb casualties than Libya, for example. In addition, whereas the size of the Libya raid and near miss on Qadhafi himself shocked Qadhafi and, temporarily, severely reduced his confidence in his ability to predict US actions, Iran is fully aware of the likelihood of a US military response to a major provocation. At least initially, the determination to resist would probably be strengthened in an escalation, and some elements might even believe that a war with the United States would strengthen their political position. Iran would be most affected by US actions that directly impaired its ability to continue to prosecute the Iran/Iraq war or Iranian public support for the regime []

Scenario Four: Escalation/Intimidation of Iran

39. Under this scenario, *the United States retaliates for Iranian provocations* and escalation results in *Iran's backing away from its active opposition to the US presence in the region or from its threat to Kuwaiti shipping without substantial further escalation* []

40. As noted above, we believe this is a less likely alternative scenario, but it could occur if more pragmatic elements in Iran held sway in the wake of a US retaliation or if the Iranians were so overwhelmed by US action that they were unable to develop a response. Most of the implications of this scenario would be positive for the United States. It would:

- Dramatically underscore US capability and commitment to the Gulf Arab states, promote their self-confidence and stability.
- Check Iranian expansion in the Gulf and severely damage Iran's self-image as a major player on the world stage.
- Lessen opportunities for the Soviets to improve relations with the Arabs.
- Undercut the perception that uncompromising Islamic fervor represents an irresistible force.
- Place increased pressure on Iran to accept a cease-fire in the war []

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41. There would also be negatives, however:

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- The chance—already distant—of a US/Iranian rapprochement could be delayed even further.
- The Iranians would perceive a need for a closer—though still limited—relationship with Moscow.
- More ambiguous for US interest, Iraq would see this scenario as a major success for its longstanding aim of convincing outside powers to pressure Iran to end the war. Baghdad would play on the US involvement to push for similar Iranian concessions in the ground war, resisting efforts to delink the tanker and ground wars []

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42. A successful US attack on Iran would pose serious problems for the Soviets because the United States would get the credit in the region, especially in Baghdad, for reducing the Iranian threat and substantial US forces probably would remain in the region. The Soviets would also be concerned that a successful use of force by the United States in Iran would incline Washington to use force in other situations outside the area. The speed with which the US-Iranian conflict would be played out in this scenario would allow Moscow to do little more than raise a propaganda hue and cry. Although the US attack on a country bordering the USSR would raise tensions between Moscow

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and Washington, especially if it occurred before a summit, there probably would be little significant long-term impact on the US-Soviet relationship. There are also potential pluses for Moscow that include:

- Iran would probably remain worried about the United States in the aftermath and, as in the “simmering tensions” scenario, need to be more accommodating toward the Soviets.
- Iran’s being brought to heel would help Iraq and control Iran’s ability to spread revolutionary Islam.
- This scenario would probably reduce US prospects for regaining a position of influence in post-Khomeini Iran.

Scenario Five: Escalation/Open Conflict

43. Under this scenario, Iranian or US actions spark a spiral of escalation. Rather than backing down, *Iran remains resolute and intractable, trying to break the will of the United States*.

44. This is a high-stakes scenario for all parties. In open conflict, the United States would face significant uncertainty and ambiguity about the probable outcome. Tehran already sees the US involvement as collaboration with Iraq and its supporters and, under this scenario, may shift its primary war goal from the toppling of Saddam Husayn to the expulsion of the United States from the region. In Tehran, the Iran-Iraq war could become the Iran-US war, with Iraq, temporarily at least, seen as the secondary threat.

45. US willingness to inflict heavy Iranian casualties and damage would probably shock Tehran and dramatically alter its view of US military power and resolve. Even this, however, would not guarantee a change in policies. Indeed, Iran might well believe that this level of casualties was as politically wrenching for the United States as for Iran, which has been on a war footing for nearly seven years and has already experienced well over 700,000 casualties. More militant elements in Tehran might even welcome such a development as a means of spurring the population on to greater sacrifice and, from the religious perspective, of seeking the rewards of a Holy War.

46. Iran’s policies probably would only be altered after it had suffered significant economic and military losses beyond the imposition of casualties. These would probably have to include disruption of oil exports or arms imports or actions of a similar magnitude. As-

suming no US involvement in the ground war, Iran would be very limited in its capability to defend itself against large-scale US military actions. Iran’s only military option would be a feeble defense of key economic and military facilities. Iranian “suicide” boats and planes, mining, antiship missiles, and other such options would become progressively less relevant in an unambiguous conflict situation, especially if Iran’s limited air defenses were to be stripped away.

47. The potential costs of a large-scale and protracted US-Iranian military confrontation are considerable:

- The United States would incur heavy economic costs during the period of the confrontation and could suffer considerable casualties.
- Disruption of world oil and financial markets could result, with potential global impacts.
- Lacking an effective conventional military response, Iran would probably turn to an increasingly indiscriminate use of terrorism against US personnel, facilities, and interests.
- The chance for an eventual reestablishment of a cooperative US-Iranian relationship could be further postponed. Anti-American sentiments could be triggered that would last many years into the future.
- Iran could be successful in the Muslim world—particularly among the Shias—in portraying the conflict as part of an anti-Islamic campaign by the United States.

48. The GCC states will probably have little choice but to side, albeit reluctantly, with the United States because escalation will almost certainly mean Iran’s extending attacks against the “US lackeys” of the GCC. In an open confrontation, with Iran using all the tools at its disposal, the Kuwaiti and Bahraini regimes become key targets of Tehran. Those populations would become polarized on Shia-Sunni lines and outbreaks of violence and terrorism would be probable. Iraq would be pleased that the Gulf war had been internationalized and probably would press its own attacks against Iran to exert maximum pressure.

49. A prolonged US-Iranian confrontation involving military clashes could serve Soviet interests in forestalling a resurgence of US influence in post-Khomeini Iran, but Moscow could find itself in a position of having to choose more clearly between Iran and Iraq and the Gulf moderates. To the extent the Soviets opted to win points in Tehran, they would tend to lose

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ground with Iraq, the GCC states, and in the Arab world generally. Nonetheless, this is the scenario that contains the best prospect of a major improvement in Soviet/Iranian relations [redacted]

50. The large US military presence in the region and major military action so near Soviet borders could prompt Moscow to offer Iran some limited support in this scenario, possibly including:

- Intelligence on US military movements and capabilities.
- Expanded use of transportation routes across the USSR to help compensate for the blockading of Iranian ports.
- Allowing Eastern Europe, Libya, and Syria to transfer additional Soviet-made weapons to Iran.

The longer the conflict continued, the more likely Moscow would be to offer such support. We do not believe the Soviets would go so far as to directly provide Iran major weapons systems, although we would not rule out resumption of deliveries of spare parts, ammunition, and military trucks. If the Soviets believed that the United States intended to occupy key areas of Iran, there would be a strong possibility they would stage exercises with Soviet forces in the Transcaucasus as a reminder to Washington that it could not act with impunity in a region so close to the USSR.

51. **European Involvement.** We believe that European involvement, whatever the motivation, is a net positive for the United States, but that the Europeans are not such major players that their greater involvement would substantially change our judgments about the implications of any of the scenarios. It would, however, affect the likelihood of the various scenarios. European involvement makes the more positive scenarios generally more likely and the negative scenarios generally less likely. The European presence also creates the possibility that the United States could be drawn into a conflict as a result of an Iranian-European confrontation—most likely begun by an Iranian action. Affecting the possibility of incidents—but also constraining the actions that might produce them—the increased warship presence will make it more difficult for Iran (as well as Iraq) to distinguish correctly the nationality of potential targets. Further, Tehran will have to consider the possibility that the United Kingdom, France, and other European nations would join the United States in a retaliatory strike in response to an overt Iranian action against the reflagging effort. Overall, the United States will be under

less pressure to withdraw and the Iranians will be less likely to conclude that confrontation with the United States will accomplish their objectives [redacted]

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Part III—Underlying Realities, Long-Term Trends, and Broader Implications for the United States

The Gulf Arabs

52. Of the three blocs of national power surrounding the Persian Gulf—Iran, Iraq, and the Arab monarchies of the GCC—no one currently dominates. Traditionally the GCC states have been the weakest and subject to intimidation by both Iran and Iraq. The stalemated Iran-Iraq war has created a tentative equilibrium among these three blocs [redacted]

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53. The GCC states would like the war to end but not with the result that the current power balance be upset and Iran or Iraq emerge as a dominant regional power. In the current situation the Gulf Arabs:

- Basically favor the US military presence as a block against Iranian expansion. Should the Gulf states believe, however, that the US presence is unnecessarily and unpredictably escalating the war, or that tensions have subsided, their support for the US presence will weaken.
- Want to keep lines open to Iran. Although Kuwait, and now Saudi Arabia, believe Iran has forced their hand, they prefer to maintain contacts and correct relations in the hope of moderating Iran's behavior.
- Are committed to supporting Iraq's war effort, but are at best reluctant allies of Baghdad who remember years of Iraqi subversion against them in the 1960s and 1970s and who wish primarily to stave off Iraqi defeat [redacted]

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54. Traditionally, the Shia-Sunni, Persian-Arab, and secular-religious tensions between and among the regional states shape much of their thinking about the other states. All countries of the region try to play these factors to their respective advantage. In the current situation, Iran will emphasize the un-Islamic nature of its Gulf enemies and their ties to the West. The Gulf Arabs and Iraq will try to line up broad Arab support against Persian Iran, and so forth. [redacted]

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Iran

55. Iran's greatest strength is its unity of purpose. To this are added: its revived revolutionary zeal, demonstrated ability to absorb pain, confidence

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gained from a string of successes in uncompromising showdowns with the United States, and a seven-year-long national mobilization for war. These make hostilities with the United States a threshold that Iran could well decide to cross. Other assets available to Iran include:

- Willingness and proven ability to use terrorism.
- Sheer demographic and geographic size, which adds to its capability to intimidate others in the region.
- The existence of significant numbers of Shia in some of the Gulf states, often subjected to second-class citizenship treatment, and representing a potential fifth column in support of Iran.
- The Soviet card—although there are significant limits to its use. While Iran may aggressively court the Soviets to counter US hostility, it will be slow to make meaningful commitments, except perhaps in the economic area. No matter how badly the confrontation goes for Iran, Tehran is unlikely to deliberately grant a large measure of influence to the USSR because of its historical fear of Soviet expansionism and traditional Muslim opposition to Communism.
- Correct relations with Pakistan, China, and Turkey.

56. Iran also has considerable weaknesses in the current situation:

- Despite Iran's ideological unity of purpose, there is serious political infighting at high levels in the government, raising questions about the regime's ability to agree on tactics that will hold up under increasing pressure from the United States.
- Its military capabilities have deteriorated since the revolution, and it is much weaker at sea and in the air than the US forces in the region.
- Iran is economically weak and vulnerable.
- Its international isolation is growing and, as the Mecca violence demonstrated, Tehran is finding it increasingly difficult to find supporters for its position, even in the Third World.

Prospects for Soviet Gains

57. Moscow bases its claim to an interest in the Gulf on the geographic proximity of the region to the USSR. Over the longer term, the Soviets seek to reduce any US capability to threaten the USSR militarily from the region, assume the position the United States once held

as the dominant outside influence in Iran, and maintain and extend their own influence elsewhere in a region of fundamental economic importance to the West. These longstanding Soviet goals have not changed under the Gorbachev regime, but style and tactics have. The Soviets have pressed their interests more vigorously and imaginatively, struck a position of greater balance among contending parties, responded to openings more quickly, and appeared more attuned to regional subtleties than Gorbachev's predecessors.

58. We believe that the Soviets are likely to continue to make gains in the GCC states. The Soviets are playing a small, unprecedented security role in the Gulf, expanding their diplomatic position, gaining a niche in the GCC arms market, and winning acceptance as an important player in regional issues. We also judge, however, that there are major limits on Moscow's ability to improve dramatically their position in the Gulf, not least because of the dilemmas and hard choices that dramatic gains with one side or the other would force on the Soviet

59. We believe neither the GCC states nor the Iranians are willing to align themselves with the Soviet Union as closely as they are now, or once were, aligned with the United States. Although there are some elements of a "zero sum game" in US or Soviet gains and losses, we do not foresee situations that are analogous to the major historical realignments of, say, Egypt or Ethiopia. If the United States were to "lose big" in the region (a major historical loss such as the fall of the Shah), in the East/West context the US loss would benefit the Soviets. We do not believe, however, that our loss would result in their taking our place in the region. As demonstrated by Iran after the fall of the Shah, and, more recently, in Lebanon, our withdrawal does not always translate into Soviet access.

60. Moscow regards Iran as the most important regional state and believes that US losses there were a major strategic setback for the United States. Although early on Moscow had hopes of supplanting US influence in Tehran after the Shah fell, we believe Moscow now thinks no outside power is likely to be able to exert meaningful influence on the revolutionary regime in Tehran at least as long as clerics like Khomeini remain in control. The Soviets initially attributed a "progressive" inclination to the Iranian revolution, but they had changed their perspective by 1982 and attacked the ruling clergy for being "reactionary" and for abandoning anti-imperialism. Being essentially blocked from making significant inroads in Iran, the

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Soviets are concentrating on the difficult course of maintaining their influence in Iraq and trying to improve their position in the GCC states while maintaining a dialogue with Iran at the same time that they block the expansion of Iranian influence []

61. Of the potential outcomes of the Iran/Iraq war, an Iranian victory would be most damaging to overall Soviet objectives. An end to the war on Iraqi terms or a winding down of hostilities would serve Soviet interests, and a successful Soviet mediation effort would represent the greatest potential boon to Soviet foreign policy in the region. We judge this as unlikely—as probably do the Soviets—for as long as Khomeini lives. In the wake of a successful mediation effort, the Soviets could strengthen their relations with Iran, continue improving ties to the Arabian Peninsula states, and maintain a solid relationship with Iraq. []

62. The Soviets maintain a dialogue with Tehran in order to prevent a resurgence of US influence in Iran, to try to change Tehran's anti-Soviet policies and its suppression of the Iranian left, and to identify those with whom the USSR may be able to deal in a post-Khomeini era. In the present circumstances, they are going along with Iranian efforts to portray Soviet-Iranian relations as improving—witness First Deputy Foreign Minister Vorontsov's recent talks with the Iranians—because they want to reduce the risks of a Soviet-Iranian naval confrontation and build up political pressures against the deployment of additional US forces to the region. Recent reports, however, alleging a major expansion in economic ties are Iranian disinformation, and little significant progress is likely to be made. []

Regional Receptivity to an Increased Soviet Role

63. Most of the six conservative monarchies of the GCC, traditionally unreceptive to any Soviet presence, now view a measure of Soviet involvement in the region as useful. This development was probably inevitable over time as GCC states have come to perceive the utility of having relations with both superpowers. They also perceive the outlines of a more moderate USSR under Gorbachev in which ideological subversion and world revolution are less of a threat than before []

64. For the Saudis, any improvement in ties to the Soviets will be gradual, at the Saudis' pace, weighed against US actions and in the context of widespread antipathy toward Communism and a continuing perception by the Saudis that their basic interests are intertwined with the West. []

65. Because of their vast wealth but military weakness, all the GCC states prefer to rely on the United States, which presents by far a lesser geographical and ideological threat than does the USSR. Even though they want the United States as their superpower "patron"—or, more aptly, safety net—they have some latitude for tactical maneuvering between the superpowers. Even without the current tensions, we would expect an ebb and flow of contacts, deals, and accommodations as these states react to fluctuating circumstances while protecting long-term interests. They will seek to obtain maximum advantage—including taking advantage of US-Soviet competition to make the United States more receptive to Arab wishes—short of endangering the US safety net or allowing Soviet inroads that could jeopardize the stability of their internal systems []

66. We believe it inevitable that other GCC regimes will follow Kuwait's lead, offering Moscow a role in regional issues, in addition to increasing diplomatic and commercial ties. They may also see some utility in playing the superpowers off against one another. The Soviets also can probably attain GCC support for a Soviet role in the Arab-Israeli peace process and a greater share of the GCC arms market. Chances of regime changes that would dramatically favor Moscow are small, and we expect no regime to realign itself closely with Moscow. None is currently threatened by leftist, pro-Moscow forces []

67. To a large extent, Iran's thinking about the Soviet Union is motivated by its historical fear of Soviet expansionism and Muslim opposition to Communism. Nonetheless, the Khomeini regime portrays itself as impervious to intimidation by Soviet pressure or threats of retaliation. Tehran probably assesses that its strategic importance to Moscow and the Soviets' desire not to drive Iran to seek better relations with Washington limit the USSR's willingness to intimidate Iran []

68. There are key obstacles to significantly warmer ties, however, including Moscow's support of Baghdad and Tehran's opposition to the Soviet occupation of Afghanistan. We believe a meaningful improvement in bilateral relations remains unlikely at least until after Khomeini dies, unless economic or military collapse threaten the regime's survival. Even in this case, we believe Moscow would be cautious in coming to the aid of a faltering regime in Tehran. Moscow would be reluctant to risk its position in Iraq, and its improving position with the GCC states, unless significant gains in Iran were highly likely. Soviet overtures []

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to Iran would go hand in hand with damage limiting efforts in Iraq and the GCC states. In the meantime, the Khomeini regime will probably press for—tactically—improved relations without making concessions that would convince Moscow to significantly broaden ties. [REDACTED]

69. After having been Iraq's primary arms supplier and supporter for more than two decades, prospects for additional Soviet gains are small. We judge that the best the Soviets can hope for in Iraq is to maintain what they have—a relationship based primarily on the provision of weapons. We believe the Soviets may well see some slippage in their diplomatic position as a

result of continued improvements in US-Iraqi relations. [REDACTED]

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70. Beyond the immediate Gulf region, other states important to US interests, such as Turkey and Pakistan, would be significantly affected by US actions in the Gulf. Although US and Pakistani objectives converge on Afghanistan, this convergence does not extend to US policies in the Gulf. Pakistan is now worried that events in the Persian Gulf may force it to choose between Iran and the United States. Turkey faces a similar dilemma. In spite of its NATO relationship with the United States, it is not likely to actively support US moves in the Gulf out of fear of jeopardizing its relations with Iran. [REDACTED]

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